

WORLD TRADE ORGANIZATION

WT/GC/W/331
23 September 1999

(99-3939)

General Council

Original: English

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Special and Differential Treatment for Developing Countries in World Agricultural Trade and the Mandated Negotiations

Communication from Indonesia, Malaysia, Philippines, and Thailand

The following communication, dated 22 September 1999, has been received from the Permanent Mission of the Philippines.

Introduction

1. Special and differential treatment of developing countries (S&D) in the context of world agricultural trade and the mandated negotiations in agriculture needs to be appreciated from the point of view that developing countries, while possessing an inherent degree of comparative advantage in agricultural production, are in a substantially different "playing field" when compared to developed countries.
2. There are stark differences in the level of agricultural development between developed and developing countries. The agricultural sector in developing countries is characterized by the predominance of small farm holdings, where farming provides a major, if not the sole, source of livelihood for a large portion of the population. Moreover, agriculture in developing countries does not and will not enjoy the scale of domestic support and export subsidies provided by developed countries to their farmers.
3. In recognition of this reality, and in order to give full effect to S&D, the playing field must, ideally, first be levelled. An indicator of such levelling is when all forms of trade-distorting subsidization are completely eliminated globally. But even then, it may be argued that developing countries would still find themselves in a disparately disadvantaged position *vis-à-vis* developed countries given the long head-start of the latter.
4. The mandated negotiations, nonetheless, provides another opportunity to move closer to the environment that would allow developing countries to develop and benefit from their agricultural potential. In this light, the following is a presentation of what the negotiations should be able to achieve at its conclusion.

A starting point

5. The purpose of S&D is to establish equity and fair competition where structural conditions across countries are different. In this regard, two important provisions in the WTO come to mind.

6. First, paragraphs 2 and 3 of Article XXXVI of Part IV of the GATT 1994 recognizes that:

"There is a need for a rapid and sustained expansion of the export earnings of the less-developed contracting parties...[and that] there is a need for positive efforts designed to ensure that less-developed contracting parties secure a share in the growth in international trade commensurate with the needs of their economic development."

7. The above provision was further confirmed in paragraph 2 of the preamble of the Marrakesh Agreement establishing the WTO.

8. At the same time, paragraph 5 of the "Enabling Clause" provides that:

"The developed countries do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to trade of developing countries, i.e., the developed countries do not expect the developing countries, in the course of trade negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. Developed contracting parties shall therefore not seek, neither shall less developed contracting parties be required to make, concessions that are inconsistent with the latter's development, financial and trade needs."(underscoring supplied).

9. The letter and spirit of these provisions should be the starting point of special and differential treatment in the mandated negotiations in agriculture.

10. The sheer underdevelopment of the agricultural sector of developing countries limits their ability to implement reforms at the same level and pace as that developed countries can be expected to undertake. The outcome of the negotiations must therefore afford developing countries the ability to adopt reforms in a differential basis. Flexibility in terms of longer timeframes for the implementation of commitments, which must continue to be given to developing countries, will not suffice. The nature and substance of their commitments must also be differentiated. Simultaneously, the nature and substance of the commitments of developed countries must far exceed what was achieved in the Uruguay Round.

Export subsidies

11. As a general obligation, the mandated negotiations must achieve the immediate elimination of all forms of export subsidies, and result in a commitment to an unconditional prohibition on the use of export subsidies.

12. On the other hand, developing countries should be able to continue using the existing flexibilities in respect of export subsidies (i.e., Article 9.4 of the Agreement on Agriculture).

13. Furthermore, in respect of export credits, disciplines must be developed and completed before 2000. The negotiations cannot and will not conclude without effective disciplines on export credits.

Domestic support

14. As a general obligation, the mandated negotiations must achieve substantial reductions in aggregate and product-specific domestic support. The modalities for achieving this will be negotiated, but it will be critical that such modalities will not undermine the general obligation, through, say, the inclusion of certain trade-distorting measures in the calculation of the base Aggregate Measurement of Support (AMS), while excluding those measures from reduction commitments.

15. In this regard, the "blue box" category of support measures, or those under production-limiting must be subject to substantial reduction commitments if not eliminated at the next phase of the reform process.

16. The criteria for the "green box" category of support measures, or Annex 2 of the Agreement must be reviewed to ensure that they meet the basic requirement that they have no or at least minimal trade distorting effects on production and trade, and that they adequately address the trade, financial and development needs of developing countries.

17. Developing countries, on the other hand, will require flexibility to rely on domestic support because of their long-term need to develop and benefit from their agricultural sector. While considered to be an essential feature of S&D, flexibility in terms of lower rates of reduction commitments and longer timeframe for implementation would not be adequate to address the development needs of developing countries.

18. S&D in terms of domestic support must result in providing developing countries the flexibility to pursue WTO-consistent policies and strategies that would allow them to develop their potential in agriculture and address their non-trade concerns, including food security, rural development and poverty alleviation.

Market access

19. As a general obligation, the negotiations must achieve more ambitious liberalization commitments in the area of market access than what was achieved in the Uruguay Round. This may include agreed minimum reduction rates that would result in the substantial reduction, if not elimination, of tariff peaks and escalation. This may also include a clarification of the continuation of the use of tariff quotas and, if so, ensuring the non-discriminatory allocation and administration of tariff quotas, involving *inter alia* disciplines in the operations of state trading enterprises.

20. Developing countries, on the other hand, must be allowed adequate flexibilities in scheduling their commitments, including recourse to special safeguards for the duration of the reform process. This is in view of the fact that even in the event that agreement is reached to eliminate export subsidies and trade distorting support measures, any residual domestic support applied to exported products is not different from export subsidies. Thus, the playing field will remain uneven even after the negotiations because of the wide difference between developed and developing countries' capacity to provide domestic support measures. It is in this light that it may even be said that market access commitments by developing countries should be directly related to the outcome of reform commitments by developed countries on domestic support and export subsidies.

21. Moreover, the level of development of a developing country and its degree of competitiveness in the agricultural sector should be taken into full account in the negotiating process and in the outcome of the negotiations.

22. Finally, developed countries are encouraged to commit the unconditional binding of all GSP schemes for agricultural tariffs in the negotiations.
